GENERAL AND REVENUE SECRETARIAT.

File No. 383

Serial Nos.

Papers Filed.

Month ~~January~~

SUBJECT.

Lines of Capital expenditure
to be entered in the Budget estimates

GENERAL AND REVENUE SECRETARIAT.

(Gen. Fin:)

NOTES.

File No. 383—04.

File Heading.

it of total Expenditure to be entered on the Budget statement.

The Comptroller

No. 5802/B&R 1113 Dated 4.4.05. Received 5.4.05

Diary No. 4048 | Enclos. | Spare Copies | Serial No.

Brief Abstract of Letter.

States that the Govt. has of late allowed the accumulated Surplus of past years to be drawn up to meet the requirements but that it is necessary to secure a regular Surplus to meet the possible heavy demands (such as of Famine) to provide for Capital Expenditure on Railway Extensions, and to meet special charges such as of Royal marriages.

NOTES AND ORDERS.

Submitted for orders.

7/4/05

The Comptroller suggests that the Government may lay down some definite principles on which the total expenditure to be annually entered in

the Budget Estimate of any year should be th

He indicates these in his letter which runs as

1) In providing for th

of expenditure which should always be an

equivalent of the available revenue a sur

of revenue as a margin of safety against

possible fluctuations in revenue and any

such demands for expenditure should be

limited for.

2) At least five lakhs a year should

be set aside out of the revenues of the year

as an insurance against famines and

other periodical visitations

3) As balance has to all advances

made a permanent settlement in the land

tt. Class. assessments must in future

be provided for from current revenues without

any encroachment on the savings of past

years

year should be made in securing a sinking
to repay the incurred heavy demands for
capital expenditure

5 The demands from the Government of India
as regards charges like those of transport Corps
must be taken as inevitable and should
be met out of the revenues of the State.

In charges connected with Royal
marriages entertainment of distinguished
guests &c a provision of two lakhs a year
should be set aside

The Committee have stated their reasons fully
for these proposals and recorded out of great
respect the necessity for one hundred for
an ~~one~~ annual financial reserve of 12 lakhs
as Rule 5 above. It however to business
the revenues are not at present in circumstances
enabled by reason of numerous arrange-
ments for such a large surplus the
Committee suggests that in backward the

out of ordinary revenues be provided for.

The Lieutenant-Governor further observes that the surplus funds at the disposal of Government have been reduced by nearly 50 lakhs during the last five years and that as this heavy reduction is largely due to special expenditure connected with the Lawers Falls Electric Power transmission scheme the net revenue earned in any year should be applied to repay the capital expenditure and sanctioned but not yet made to build up the depleted reserve and accordingly suggests that in preparing the estimates for 1917-18 and future years the whole of this be set aside for that purpose and not applied to meet current requirements.

Whilst the Lieutenant-Governor has addressed this letter enabling us to grasp at a glance our present financial position and the measures proposed for placing the finances on a firmer

and more secure basis are absolutely necessary The principles upon which budget estimates should be framed and the expenditure controlled were ascertained by the Comptroller, be immediately considered, so that orders may issue if possible before the consolidated budget for drawn up by the Comptroller and the estimates to it are sanctioned If the proposals agreed with the approval of Government he can at once be asked to submit the consolidated budget drawn up on the lines

Dr Meek at about 2 PM. Messrs have been present - but I am glad the Comptroller has given his attention 17.4.05
drawn ours with

MGCP B - 10 000 — 19-5-04

INO.

No H 6-8-8
17-4-05

forwarded to the Controller for
Hind Complts 17-4-1905

COMPTROLLER'S OFFICE
APR. 18. 1905
MYSORE

I discussed the matter
with the Comptroller. He is quite
right in recommending an
[illegible] but how this is to be achieved
cannot be decided in the
[illegible] I have asked the Controller to
have this work completed soon
either the next fortnight so that
we might take it up for preli
discussion early in May - we
will proceed [illegible] -
needed by then - but the claims
she disallowed will be complete

will thereby throw on the remi
[illegible]
Sanction and see that none of their
remain undisposed of beyond the
27th of this month. I see that the papers
to Forest, Edn., Medical, & Police Depts, which
are all important are yet pending

Secretariat ~~Office~~ Recommendation
of Mem. Ms. to whom above c
dated. Memorandum issued re
on the Secretariat Department.

Received at 5-10 pm
on the 21-4-1905
Branch II Secretariat
have been passed
to the Lahore ...

The following budgets have been passed

Stamp Budget
Stamp Manufactory
State Hazur Treasury
Govt. Houses
Meteorological Dept.
Archaeological Dept.
Museum
Botanical Gardens
Registration
Agl Chemistry
Revenue Survey
Irrigation Dept.
Military
Stationery Depot
Printing and Gazette Office.

17 Minutes

8 Jails

9 Comm:

20 Private Secretary to H.H. the Maharaja

21 Ethnographical Survey

The following remain to be passed

Forests Subd to the Dewan Saheb after circul

Police

Courts of Law

Education under circulation to the 2nd Comm 22.4

C+R Secretariat Subd to the Dewan Saheb on 19.4.05

Railway do after circulation 19.4

Cauvery Falls

P.W. Budget under circulation. 1st Cl 20.4

Tutor to the Yuvaraja Subd to the Dewan Saheb on 7.4.

Rev: Comr The draft

Geological This was subd to the Dewan Saheb on 25.3.

be directed that the order should be revised according to the revision of the Establishment of the Geo: office recently sanctio The file was sent to the Geo: Secretary for r vising the figures in the budget and for furnishing a Copy of the order. The budget was ~~obtained back~~ returned on 6.4.05 wi the intimation that a Copy of the order would be sent as early as possible.

In reply to a D.O. reminder, Dr. Smeeth states in his D.O. of 19.4.05 that the draft order is before the Dewan Saheb & would be disposed of without delay. On receipt of the the budget will be circulated & the Council Branch IV is dealing with this and propo to submit this on Monday, the 24th Sept (Miss: items). Received from the Ac Secn with instructio thes will be attended soon as the Rev: Comm

There is nothing more

Sub: Wkly. note 22/4/05

Secretary to the Dewan Saheb

22-4-05

22/4/05

D 4098 Gen. Jun. 382-
Serial. (1)

Office of the Comptroller.
Mysore Government.
Bangalore, 4th April 1905.

From

Rao N. G. Rasu Bahadur, M.A.,
Comptroller to the Government
of His Highness the Maharaja
of Mysore.

To

B. K. Venkata Varada Iyengar Esq
Secretary to the Government of
His Highness the Maharaja
of Mysore.

Sir,

In view of the approaching Budget and the Financial Statement for 1905-0. I have the honor to suggest that the Government of H.H. the Maharaja of Mys. may be pleased to lay down some principles on which the limit of total expenditure to be ordinarily entered in the Budget estimate of any year should be fixed.

2. In the absence of any such principles, the effectiveness of the financial control of the Government may be... serious impaired and proposals for expenditure

by spending departments may be reduced to a scramble in which the most violent and clamouring parties are likely to appropriate a considerable share of funds which would not otherwise be available for current requirements.

3. On the usual theory of the Budget, the maximum limit of expenditure that can be provided for in the annual estimates is the equivalent of the available revenue. But in many cases it has not been considered safe to provide for the maximum limit but to estimate for a surplus of revenue as a margin of safety against possible fluctuations in revenue and unforeseen demands for expenditure.

4. In the case of the Government of India, it was considered necessary, so far back as the year 1879-'80, to create an annual Famine Surplus of 150 lakhs of Rupees and ever since that surplus has been scrupulously maintained except in some very exceptional years of special financial strain caused by war or other calamities. Even after ~~that~~ the Famine Insurance grant was fixed by Lord Lytton's Government, it was for many years the practice of the Government of India in preparing their estimates to close them with a further surplus of not less than 50 lakhs and though the obligation to aim at this surplus is not at present expressly laid down, both the budgeted and

Actual

an insurance against these periodical loss

Some authorities hold that an accumulated balance of about 100 lakhs would in itself be a sufficient protection against famine. Although it may be admitted that the annual surplus of 5 lakhs may cease when a sufficiently high balance has been accumulated, I do not think 100 lakhs would be so high because recent experience shows that the accumulated balance is absolutely necessary for other purposes, such as the inception of productive undertakings like Water Works and Electric transmission scheme

time considered as a temporary calamity and provided for accordingly, but to all appearance it has made a permanent settlement in the land and in future the plague requirements must be provided for from current revenues without any encroachment on the savings of past years

9. One item of heavy permanent demand on the Imperial Revenues which does not occur in British India is the capital expenditure on important railway communications. In British India, capital expenditure is not charged to revenues, but is met from borrowed funds but the Imperial State has no public debt of its own and its

loan of its own as soon as the Presidency Banks are forbidden to deal with the Securities of Native States. It is therefore necessary for the State to provide for the Capital Expenditure out of Current revenues. On the last occasion a loan of £ 1,200,000 was raised in the London Market through the Secretary of State and the State may be obliged at no distant date to undertake important through lines of Communications to connect with its own Railway System the network of British Railway lines that are being constructed on all sides of the borders of Mysore. Even if the funds are obtained as before temporarily through the Government of India, provision must be made for a sinking fund and the total charge spread over as many years as possible. It is therefore absolutely necessary that as in the case of Famine Relief a regular surplus should be created to repay the periodical heavy demands for Capital Expenditure. I think 5 lakhs a year would also be a very moderate provision for such demands.

II Fluctuations in Revenue and Expenditure not under the immediate control of the State

10. The Chief items of this Head of Revenue and Expenditure in British India have till lately been the Opium Revenue, the Exchange and the Military Expenditure.

Mysore

Mysore has no Revenue like the Opium Revenue contributed by a foreign people but it is not prudent to count upon the Revenue from the Gold Mines as a permanent asset and though there is no immediate cause for anxiety as regards any important fluctuations in the receipts. Native States will, no doubt, retain from increasing the burden of a future generation in order to meet any emergency which may arise.

The difficulty about Exchange has been set at rest by British Statesmanship and the limits of the measures taken by the Government of India in June 1893 are now being enjoyed by all having the British rupee as their legal currency

1. As regards Military expenditure the British Indian Revenues are liable to heavy demands from Home on account of the British Troops and the expenditure is not under their control. The Native States are perhaps as helpless in the matter of demands from the Government of India as regards charges like those for Transport Corps, as are the Government of India in regard to these demands from Home. It is felt that in the case of the Native States these demands are apt to take away one great incentive to economy in the same way that the power reserved to the Government of India to revise the quinquennial Provincial Settlements with Provincial Governments in British India was apt to make the provincial Governments somewhat extravagant in their expenditure. Lately it has now been recognised that there is great financial

advanta ging the Provincial
Settlements practically permanent and
it may be hoped that in the fulness of
time the Native States will, by proper
representation of their case to the Supreme
Government, obtain such relief as may
be their due. Meanwhile these demands must
be taken as inevitable and provided for
accordingly.

III Special charges incidental to Local peculiarities.

12. Under this head I include the various
Charges connected with Royal Marriages,
Entertainment of Distinguished guests,
&c., which do not occur regularly from
year to year but which on the ratio
of a number of years must represent
a tolerably heavy Charge. I would for
the present put this at 2 Lakhs a year

13. The above Statements would go to
demonstrate the necessity for an annual
Financial Reserve of about at least 12 Lakhs
in addition to the provision from the annual
Revenues of the demands for Pioque and
Army Expenditure. I contend that the Finances
of Mysore are not at present in a sufficiently
Satisfactory Condition to admit of immediate
Arrangements for Securing such a Large
Surplus. But in Financial matters it is
of very great importance to Lay Down a
Standard for the guidance of the Officers
of the Department and I earnestly request
that the question of principle may receive
the very early consideration of His Highness

Government

Government.

14. As regards the immediate practical arrangements it is admitted that the net Revenue from the Cauvery Falls Electric Power Transmission Scheme should first be applied to repayment of the Capital Expenditure, and I would suggest that in preparing the estimates of 1905-06 and future years the whole of this Revenue be set aside for such purpose instead of being applied to meet current requirements. Further, that in 1905-06, as a small beginning only, a surplus of 2 lakhs be reserved out of Ordinary Revenues. There will be some Special Expenditure in the year in connection with the reception of H. H. the Prince of Wales. The 5 lakhs on account of the buildings of the Tata Institute will probably have to be paid in 1905-06 but this I understand will be met out of the Sale proceeds of certain Inam Lands now at the disposal of Government.

15 To illustrate the exact nature of my proposal I append the account figures for 1903-04 recast in a special form. It will be seen from this Statement that, in the year 1903-04, the Government had a Revenue of about 182 lakhs from Land Revenue, &c., and Taxation. This was the maximum amount that was available for the current Expenses of the Administration

administration with the Government returns spent in the year about 191 Lakhs meeting this deficiency out of past Savings. According to the scheme suggested in this letter, the total Expenditure should not only have been kept within the total Revenue of 182 Lakhs but efforts should ~~have~~ been made gradually to secure a Surplus of Revenues. For the year 1905-06 the estimate of the Surplus should be 2 Lakhs, according to my proposal, and the whole of the amount that may be shown as net receipts on account of the Canvery Power Scheme should be applied to the retirement of past Capital Outlay. I think the Scheme can be carried out m 1905-06 without much difficulty

16. In conclusion, I beg respectfully to bring to the notice of Government that the necessity for applying the pruning knife to all branches of the administration and for securing a substantial Surplus has become imperative on account of the heavy losses that are likely to be incurred in the immediate future on Speculative undertakings like Cotton Mills and Agricultural Banks. It is not absolutely certain that the loss may not be recovered to a large extent in the long run, but as a matter of account the Capital sums advanced by Government must immediately be written off the loan accts in all cases in which a Solvent body

liabi-

lends to Government for the repayment of the Money has practically ceased to exist as an independent risk and the only remedy of Government lies in the confiscation of properties on the security of which the Money was advanced. This adjustment will *pro tanto* diminish the Government Surplus carried forward from previous years.

I have the honor to be
Sir
Your Most Obedient Servant,

Comptroller.

Statement showing the actual Revenue and Expenditure during the year 1903–04.

Revenue	Actuals	Expenditure	Actuals
I. Land Revenue &c.–		**1. Cost of Revenue collections–**	
1. Land Revenue	96,36,386	(1) Land Revenue (excluding district administration)	9,51,568
2. Mining Royalty and Leases	18,15,434	(2) Forests	5,23,198
		(3) Stamps	26,943
		(4) Excise	3,27,691
3. Forest	1595122	(5) Customs	115,514
		(6) Registration	81,424
	130,46942		19,26,344
II. Taxation		2. **Civil Services–**	
		(1) Palace	16,00,000
1 Stamps	7,15,041	(2) District Administration	7,38,707
2. Excise	36,98,500	(3) General Administration	7,57,248
3. Customs	3,52,521	(4) Law and justice	9,32,298
4 Assessed Taxes	2,58,549	(5) Police	9,15,539
5 Registration	1,11,663	(6) Education	644,664
		(7) Survey	3,28,662
		(8) Medical	4,94,470
		(9) Scientific and other minor departments.	2,33,949
		(10) Civil works	39,24,376
	51,36,301		105,45,908
III. Commercial services–		**3. Debt Services**	
Canvery Power Scheme. (Revenue & Capital) n		Interest &c net	36,155.
		4. Miscellaneous	
		(1) Pensions &c.	747,922
		(2) Famine Relief	208
		(3) Miscellaneous	958,440
			19,06,770
		5. Army and Defence–	
		(1) Subsidy to Imperial Govt	35,00,000
		(2) Local Service Soldier Regiments	12,99,368
		(3) Military Works	21,315
			48,20,683
		6. Commercial Services–	
		Railways (Capital and Revenue) net	61,314.
Total	186,44,460.		191,24,144

5802—B. & R. 1113.

OFFICE OF THE COMPTROLLER,
MYSORE GOVERNMENT.
Bangalore, 4th April 1905.

RAI N. G. BASU BAHADUR, M.A.,
Comptroller to the Government of His Highness
the Maharaja of Mysore.

B. K. VENKATA VARADA IYENGAR, ESQ.,
Secretary to the Government of His Highness
the Maharaja of Mysore.

In view of the approaching Budget and the Financial statement for 1905-06, I have the honor to suggest that the Government of His Highness the Maharaja of Mysore may be pleased to lay down some principles on which the limit of total expenditure to be ordinarily entered in the Budget estimate of any year should be fixed

In the absence of any such principles, the effectiveness of the Financial control of the Government may be seriously impaired and proposals for expenditure by spending departments may be reduced to a scramble in which the most violent and clamouring parties are likely to appropriate a considerable share of funds which would not otherwise be available for current requirements.

3. On the usual theory of the Budget, the maximum limit of expenditure that can be provided for in the annual estimates is the equivalent of the available revenue. But in many cases it has not been considered safe to provide for the maximum limit but to estimate for a surplus of revenue as a margin of safety against possible fluctuations in revenue and unforeseen demands for expenditure.

4. In the case of the Government of India, it was considered necessary so far back as the year 1877-78, to create an annual Famine surplus of 150 lakhs of rupees and ever since that surplus has been scrupulously maintained except in some very exceptional years of special Financial strain caused by war or other calamities. Even after the Famine Insurance grant was fixed by Lord Lytton's Government, it was for many years the practice of the Government of India in preparing their estimate to close them with a further surplus of not less than 50 lakhs, and though the obligation to aim at this surplus is not at present expressly laid down, both the budgeted and actual surpluses of the Government of India have been considerably more than that amount in recent years.

5. In the case of Mysore, not only has no such surplus of revenue been secured in recent years, but the accumulated surplus of past years has been drawn upon to some extent to meet current requirements. For instance, the accumulated surplus at the end of 1899-00 amounted to Rs. 87,95,317 but it has since gone down as follows:—

1899-1900	... ...	87,95,317
1900-1901	... ..	67,51,719
1901-1902	.. ...	44,86,470
1902-1903	... ...	48,90,348
1903-1904	... ...	44,40,633
1904-1905 (Budget)...	...	39,30,000

6. Thus it will be seen that in the five years from 1900-01 to 1904-05, the surplus funds at the disposal of the Government will have been reduced by the large sum of Rs. 48,65,000. This heavy reduction is no doubt due largely to special expenditure connected with the Cauvery Falls Electric Power Transmission Scheme, but in the case of this scheme the net revenue earned in any year should first be applied to repay the Capital Expenditure, and should be religiously set aside to build up the depleted ~~revenue~~ reserve. This does not, however, appear to have been attempted in framing the estimates, and it is high time that a fixed rule were laid down by Government on the subject.

7. But apart from the obligation resting upon Government to recoup the capital cost of the Cauvery Falls Electric Power Transmission Scheme, the necessity for securing a regular surplus of ordinary revenues from year to year is much more necessary for the Government of Mysore than it is so for the Government of India, for the chief reason that in an emergency, the Government of India have immediately a very large public credit of its own, and in the last resort can draw upon the almost unlimited resources of the British Nation, whereas, in the case of a Native State in India, it is not only not possible to create a Public Debt of its own, but it can~~not~~ hope to obtain assistance from outside to a very limited extent.

8. The eventualities which should be provided against by the creation of regular surplus revenues may be briefly stated as follows :—

I. Heavy demands on the Revenues at irregular intervals which cannot be met from the income of one or two years.

The chief among this class of demands is the expenditure on Famine Relief. It has already been stated that in British India a special surplus of 150 lakhs is secured every year under the Famine Insurance Scheme. The Mysore State is as much liable to periodical visitations of famine as the Continent of British India, and I think, as a small beginning, we should try to set aside at least 5 lakhs a year as an insurance against these periodical misfortunes. Some authorities hold that an accumulated balance of about 100 lakhs would in itself be a sufficient protection against famine. Although it may be admitted that the annual surplus of 5 lakhs may cease when a sufficiently high balance has been accumulated, I do not think 100 lakhs would be so high because recent experience shows that the accumulated balance is absolutely necessary for other purposes such as the inception of productive undertakings like Water Works and Electric Transmission Scheme.

The visitations of plague were at one time considered as a temporary calamity, and provided for accordingly, but to all appearance it has made a permanent settlement in the land and in future the plague requirements must be provided for from current revenues without any encroachment on the savings of past years.

9. One item of heavy periodical demands on the Mysore Revenues which does not occur in British India is the Capital Expenditure on important Railway communications. In British India, Capital Expenditure is not charged to Revenues, but is met from borrowed funds, but the Mysore State has no public debt of its own, and there is considerable difficulty in floating a public loan of its own as long as the Presidency Banks are forbidden to deal with the securities of Native States. It is therefore necessary for the State to provide for the capital expenditure out of current revenues. On the last occasion a loan of £1,200,000 was raised in the London Market through the Secretary of State and the State may be obliged at no distant date to undertake important through lines of communications to connect with its own Railway system the net work of British Railway lines that are being constructed on all sides on the borders of Mysore. Even if the funds are obtained as before temporarily through the Government of India, provision must be made for a sinking fund and the total charge spread over as many years as possible. It is therefore absolutely necessary that as in the case of Famine Relief a regular surplus should be created to repay the periodical heavy demands for capital expenditure. I think 5 lakhs a year would also be a very moderate provision for such demands.

Fluctuations in Revenue and Expenditure not under the immediate control of the State.

The chief items of this class of Revenue and Expenditure in British India have till lately been the Opium Revenue, the Exchange and the Military Expenditure

Mysore has no Revenue like the Opium Revenue contributed by a foreign people, but it is not prudent to count upon the Revenue from the Gold Mines as a permanent asset, and though there is no immediate cause for anxiety as regards any important fluctuations in the receipts, far-seeing statesmen will, no doubt, refrain from increasing the burden of a future generation in disposing of a fortunate windfall in their own time.

The difficulty about Exchange has been set at rest by British statesmanship, and the fruits of the measures taken by the Government of India in June 1893 are now being enjoyed by all having the British rupee as their legal currency.

11. As regards Military expenditure, the British India Revenues are liable to heavy demands from Home on account of the British Troops, and the expenditure is not under their control. The Native States are perhaps as helpless in the matter of demands from the Government of India as regards charges like those for Transport Corps, &c., as are the Government of India in regard to these demands from Home. It is felt that in the case of the Native States, these demands are apt to take away one great incentive to economy in the same way that the power reserved to the Government of India to revise the quinquennial Provincial Settlements with Provincial Governments in British India was apt to make the Provincial Governments somewhat extravagant in their expenditure. Happily, it has now been recognised that there is great Financial advantage in making the Provincial Settlements practically permanent, and it may be hoped that, in the fulness of time, the Native States will, by proper representation of their case to the Imperial Government, obtain such relief as may be their due. Meanwhile, these demands must be taken as inevitable and provided for accordingly.

III. Special charges incidental to local peculiarities.

12. Under this head I include the various charges connected with Royal Marriages, entertainment of distinguished guests, &c., which do not recur regularly from year to year, but which, on the total of a number of years, must represent a tolerably heavy burden. I would for the present put this at 2 lakhs a year.

13. The above statements would go to demonstrate the necessity for an annual Financial reserve of about at least 12 lakhs in addition to the provision from the annual Revenues of the demands for plague and army expenditure. I confess that the Finances of Mysore are not at present in a sufficiently satisfactory condition to admit of immediate arrangements for securing such a large surplus. But in Financial matters, it is of very great importance to lay down a standard for the guidance of the officers of the department, and I earnestly request that the question of principle may receive the very early consideration of His Highness's Government.

14. As regards the immediate practical arrangements, it is admitted that the net Revenue from the Cauvery Falls Electric Power Transmission Scheme should first be applied to repayment of the Capital Expenditure, and I would suggest that in preparing the estimates of 1905-06 and future years, the whole of this Revenue be set aside for such purpose instead of being applied to meet current requirements. Further, that in 1905-06, as a small beginning only, a surplus of 2 lakhs be reserved out of ordinary Revenues. There will be some special expenditure in the year in connection with the reception of H. R. H. the Prince of Wales. The 5 lakhs on account of the buildings of the Tata Institute will probably have to be paid in 1905-06, but this I understand, will be met out of the sale proceeds of certain Trust Funds now at the disposal of Government

15. To illustrate the exact nature of my proposal, I append the accounts figures for 1903-04 re-cast in a special form. It will be seen from this statement that, in the year 1903-04, the Government had a Revenue of about 182 lakhs from Land

Revenue, &c., and Taxation. This was the maximum amount that was available for the current expenses of the Administration, but the Government actually spent in the year about 191 lakhs meeting the deficiency out of past savings. According to the scheme suggested in this letter, the total expenditure should not only have been kept within the total Revenue of 182 lakhs, but efforts should be made gradually to secure a surplus of Revenue. For the year 1905-06, the estimate of the surplus should be 2 lakhs, according to my proposal, and the whole of the amount that may be shown as net receipts on account of the Cauvery Power Scheme should be applied to the repayment of past Capital Outlay. I think the scheme can be carried out in 1905-06 without much difficulty.

16. In conclusion, I beg respectfully to bring to the notice of Government that the necessity for applying the pruning knife to all branches of the Administration, and for securing a substantial surplus, has become imperative on account of the heavy losses that are likely to be incurred in the immediate future on speculative undertakings like Cotton Mills and Agricultural Banks. It is not absolutely certain that the loss may not be recovered to a large extent in the long run, but as a matter of accounts, the capital sums advanced by Government must immediately be written off the loan accounts in all cases in which a solvent body liable to Government for the repayment of the money has practically ceased to exist as an independent unit and the only remedy of Government lies in the confiscation of properties on the security of which the money was advanced. This adjustment will *pro tanto* diminish the Government surplus carried forward from previous years.

I have, &c,
(Sd.) N. G. BASU,
Comptroller.

I shall be glad to see the Comptroller and discuss the matter with him tomorrow at about 2 P. M. These points have been foreseen, but I am glad the Comptroller has given his attention and drawn ours to it.

17—4—1905. (Intd.) P. N. K.

I discussed the matter yesterday with the Comptroller. He is quite right in recommending a reduction of the Budget grants this year; but how this is to be achieved, can only be decided when going through the detailed State Budget. I have asked the Comptroller to have this Budget completed soon, within the next fortnight, so that we might take it up for preliminary discussion early in May. He will proceed on the lines suggested by him, but the items to be disallowed will be carefully gone through at this meeting and decision arrived at. * * *

19—4—1905. (Intd.) P. N. K.

Statement showing the actual Revenue and Expenditure during the

Revenu		Expenditure.	Actuals.
Land Revenue, etc.-		*1. Cost of Revenue Collection.—*	
1 Land Revenue	96,36,386	(1) Land Revenue (excluding District Administration.)	9,51,568
2 Mining Royalty Leases.	18,15,434	(2) Forests	5,23,198
		(3) Stamps	26,943
		(4) Excise	3,27,691
	15,95,122	(5) Customs	15,517
		(6) Registration	81,427
	1,30,46,942		19,26,344
		2. Civil Services.—	
		(1) Palace	16,00,000
	7,15,041	(2) District Administration.	7,38,707
		(3) General Administration.	7,57,248
Excis	36,98,500	(4) Law and Justice ...	9,32,293
		(5) Police	9,15,539
Customs 1....	3,52,521	(6) Education.. ..	6,44,664
		(7) Muzrai	3,28,66
Asssessed Taxes	2,58,579	(8) Medical	4,97,470
		(9) Scientific and other Minor Departments.	2,33,949
Registration	1,11,663		
		(10) Civil Works ...	39,27,376
	51,36,304		1,05,75,908
		3. Debt Services.—	
		Interest etc. net ...	36,155
		4. Miscellaneous.—	
Jauvery Power Sch (Revenue and Capital) net..	4,94,215	(1) Pensions, etc. ...	7,47,92
		(2) Famine Relief ...	40
		(3) Miscellaneous ...	9,58,44
			17,06,77
		5. Army and Defence.—	
		(1) Subsidy to Imperial Govt.	35,00,00
		(2) Local Service and other Regiments.	12,99,36
		(3) Military Works ...	21,31
			48,20,68
		Commercial Services.—	
		Railways (Capital an enue net).	61,31